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Market Administrator's

BULLETIN

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Farm Marketings Lower But Cash Receipts Rising

The Dairy Situation, Economic Research Service, USDA, May, 1966

Farm milk marketings are declining in early 1966 because of sharply reduced production. However, farmers are selling a higher proportion of this reduced milk output for fluid use. During 1965, farm marketings of milk and cream fell to 119.1 billion pounds, 1.2 percent below the 1964 record. Sales of wholesale milk as well as cream sales and farm retail sales, declined. Changes in sales of cream and sales at retail are in line with trends since the beginning of World War II. A further decline of 1 to 2 percent below 1965 in the U. S. marketings is expected for 1966. The annual average price is expected to rise some 8 to 9 percent. Accordingly, cash receipts from milk and cream are likely to be around 6-7 percent larger than the record \$5.1 billion in 1965.

Cash receipts in 1965 were up 1 percent from 1964 as increased prices more than offset decreases in marketings. Combined average returns for milk and cream last year rose 9 cents to \$4.27 per 100 pounds of milk. Receipts increased in all regions last year over 1964 except the Corn Belt and Northern Plains. Largest gains occurred in the Delta States, up 5 percent, and the Appalachian States, up 4 percent. Among the 50 States gains were reported in 36 States. However, in

terms of average returns per 100 pounds, all but 10 States gained in 1965 over 1964.

All uses of milk on farms where produced declined further in 1965. Fluid milk and cream declined 9 percent from 1964, primarily because there were fewer farms keeping milk cows. Fewer dairy calves raised and extensive use of milk replacer caused milk fed to calves to drop. These downtrends in farm use, while expected to continue for some time, will have progressively less impact on total marketings than during the past 2 decades. For example, between 1954 and 1964, farm use declined about 60 percent—9 billion pounds; production increased 5 billion pounds. Thus, total marketings gained 14 billion pounds. From 1964 to 1965, farm use declined 0.5 billion pounds; total milk production 1.9 billion.

Milk eligible for fluid use (commonly called Grade A) accounted for 69 percent of milk received from U. S. farmers by plants and dealers in 1965 — about 78 billion pounds; manufacturing grade milk in 1965 was 1 percentage point less than in 1964. This shift to more Grade A milk sales is likely to continue because of better long run returns for labor and capital than for manu-

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Milk Cow Prices Increasing

The Feed Situation, Economic Research Service, USDA, May, 1966

Following several years of moderate decline, prices of milk cows strengthened in the second half of 1965 and in first quarter 1966 averaged \$229, the highest level since 1959. Higher prices for milk cows reflected mainly the increases in the slaughter value of cows. The generally favorable outlook for cattle prices and higher prices for milk point to bright price prospects for milk cows as well as for slaughter cows for balance of 1966.

The value of dairy cows to farmers represents a capitalization of future income (1) from milk sales, and (2) from sale of the animal for slaughter. In recent years, the carcass value—based on price of slaughter stock—has accounted for two-thirds or more of the selling price of milk cows. These are average figures — for exceptionally good milk producers or purebred stock, the value of offspring is an additional price determinant.

During the past 10 years, average milk cow prices have varied from a low of \$146 in 1955 to a peak of \$233 in 1959. During the same decade, the slaughter value of milk cows — based on the average price of Canner and Cutter cows at Chicago — ranged from \$110 in 1955 to \$182 in 1958.



Columbus

MARKET FACTS FOR EASY REFERENCE

PRICE SUMMARY

Producers' Uniform Price (3.5%)	\$4.41	\$4.58	\$3.81
Class I (3.5%)	5.13	5.13	4.48
Class II (3.5%)	3.56	3.47	3.17
Producer Butterfat Differential for each one-tenth percent	8.3¢	8.4¢	7.4¢

UTILIZATION SUMMARY

Percent of Producer Milk in Class I	71.3	81.0	68.5
Percent of Producer Butterfat in Class I	67.4	75.2	66.3
Percent of Producer Milk in Class II	28.7	19.0	31.5
Percent of Producer Butterfat in Class II	32.6	24.8	33.7

PRODUCER MILK RECEIPTS

Total Pounds Producer Milk Delivered	50,771,018	46,416,326	51,476,010
Average Daily Class I Producer Milk	1,637,775	1,547,211	1,660,516
Total Number of Producers	1,567	1,575	1,669
Average Daily Receipts per Producer	1,045	982	995
Average Butterfat Test	3.69	3.76	3.60
Total Value of Producer Milk at Test	\$2,445,166	\$2,319,500	\$2,143,948
Income per Producer (7 Day Average)	\$352	\$343	\$290

GROSS CLASS USE (Pounds)

Class I Skim	34,928,346	36,271,825	34,043,394
Class I Butterfat	1,262,619	1,311,493	1,241,982
Class I Milk	36,190,965	37,583,318	35,285,376
Class II Skim	13,969,618	8,401,043	15,558,470
Class II Butterfat	610,434	431,965	632,163
Class II Milk	14,580,052	8,833,008	16,190,633

AVERAGE DAILY SALES (Quarts)

Milk	426,318	462,137	416,747
Buttermilk	6,361	6,683	6,471
Chocolate	32,819	32,830	30,638
Skim	12,591	13,587	13,960
Cream	8,241	6,229	9,017

May 1966	April 1966	May 1965
\$4.41	\$4.58	\$3.81
5.13	5.13	4.48
3.56	3.47	3.17
8.3¢	8.4¢	7.4¢
71.3	81.0	68.5
67.4	75.2	66.3
28.7	19.0	31.5
32.6	24.8	33.7
50,771,018	46,416,326	51,476,010
1,637,775	1,547,211	1,660,516
1,567	1,575	1,669
1,045	982	995
3.69	3.76	3.60
\$2,445,166	\$2,319,500	\$2,143,948
\$352	\$343	\$290
34,928,346	36,271,825	34,043,394
1,262,619	1,311,493	1,241,982
36,190,965	37,583,318	35,285,376
13,969,618	8,401,043	15,558,470
610,434	431,965	632,163
14,580,052	8,833,008	16,190,633
426,318	462,137	416,747
6,361	6,683	6,471
32,819	32,830	30,638
12,591	13,587	13,960
8,241	6,229	9,017

COMPARATIVE STATISTICS



COLUMBUS MARKETING AREA



MAY 1957 - '66

Year	Receipts From Producers	Average Butter-fat Test	Percentage of Producer Milk in Each Class				Uniform Producer Price (3.5%)	Class Prices at 3.5%				Number of Producers	Daily Average Production
			Class I	Class II	Class III	Class IV		Class I	Class II	Class III	Class IV		
1957	30,240 247	3.70	67.6	7.2	14.4	10.8	3.88	4.568	4.168	3.488	3.066	1,908	511
1958	30,140 831	3.69	66.3	7.6	9.5	16.6	3.56	4.274	3.874	3.274	2.851	1,822	534
1959	32,669,711	3.68	69.6	7.4	3.0	20.0	3.58	4.289	3.839	3.507	2.887	1,767	596
1960	33,354,543	3.75	67.4	7.1	2.7	22.8	3.44	4.132	3.732	3.508	2.888	1,673	643
1961	33,290,673	3.73	69.1	7.2	2.9	20.8	3.61	4.239	3.839	3.763	3.143	1,240	866
1962	38,340,798	3.69	67.1	7.9	4.7	20.3	3.44	4.06	3.717	3.569	2.949	1,315	941
1963	43,626,535	3.68	66.8	7.2	4.0	22.0	3.45	4.09	3.705	3.603	2.983	1,378	1,021
1964	53,392,057	3.66	65.0	35.0	—	—	3.55	4.17	3.12	—	—	1,674	1,029
1965	51,476,010	3.60	68.5	31.5	—	—	3.81	4.48	3.17	—	—	1,669	995
1966	50,771,018	3.69	71.3	28.7	—	—	4.41	5.13	3.56	—	—	1,567	1,045

Farm Milk Prices Above 1966 Levels

The Dairy Situation, Economic Research Service, USDA, May, 1966

Milk prices to farmers are expected to average seasonally lower in second quarter but still may be 10-12 percent higher than a year earlier because of the increase in support prices, improved supply-demand relationships, and increases in fluid milk prices. Seasonal advances in the second half of 1966 likely will raise milk prices to farmers to above first quarter levels, as output declines and falls below consumption. For 1966 as a whole, prices may average 8-9 percent above 1965.

First quarter prices for all milk at wholesale averaged \$4.54, up 26 cents per 100 pounds from a year earlier. Prices of milk eligible for fluid use also were 25 cents higher, while prices of manufacturing grade milk were up 33 cents. Prices farmers received for milkfat sold as farm-separated cream averaged 62.1 cents per pound, 3.3 cents above first quarter 1965.

For the second quarter 1966, prices of manufacturing grade milk are expected to decline from the first quarter average of \$3.67 as production exceeds commercial requirements and the average fat content of milk declines seasonally (usually about 0.1 percent). For milk of 3.73 percent milkfat, last year's national average, prices may dip toward the support level of \$3.50 as supplies reach seasonal highs in late May and June.

This year, CCC purchase price for products were raised about the equi-

valent of the 26 cents increase above 1965-66 in the national average support level for manufacturing milk. Therefore, the purchase prices are expected to maintain producers' average returns at national average support levels even in the flush production season. With reduced milk production and low stock levels this year relative to 1965 commercial storage demand for butter and cheese will likely be strong during the flush production season. This will strengthen prices for manufacturing grade milk during May and June.

Prices paid farmers for milk delivered to American cheese factories continued above prices of milk at butter-byproduct plants during January-February 1966, averaging \$3.58 per 100 pounds of milk (3.5 percent milkfat) compared with 03.37 at butter plants. Prices paid at cheese factories have been above those at butter plants since November 1965. Prices paid at Midwest condenseries have been above those at cheese plants since May 1965; but nationally, evaporated milk plants have been paying lower average prices to farmers than have cheese plants. Condenseries and cheese plants are paying farmers sufficiently high prices to bid milk away from the margins of fluid milk supply areas.

The price of milk eligible for fluid use averaged \$4.95 per 100 pounds in first quarter 1966, up 5 percent from a year earlier. Second quarter prices

can be expected to decline somewhat as milk supplies increase seasonally. However, milk dealers are paying more than a year earlier for milk for bottling; production is down and demand is stronger. Low milk supplies also mean that a larger proportion of producer deliveries than a year ago is being used for the higher valued bottling purposes, thus raising blend prices paid producers.

Milk-feed price ratios in first quarter 1966 averaged 4 percent above first quarter 1965 and probably will continue above 1965 levels in the second quarter.

In the first quarter 1966 the relationship of milk prices to beef prices was the least favorable to milk production for the quarter since 1963. The manufacturing grade milk-beef cattle price ratio averaged 0.16, the same as the 1960-64 average for January-March but below the 0.18 for first quarter 1964 and 1966. Second quarter prices of both beef and milk are expected to be above 1965 levels, so the milk-beef price relationships probably will be near those of last year. Canner-Cutter cow prices, which averaged \$3-5 per hundredweight above a year earlier at Chicago in the first quarter was expected to be above the \$13.38 per hundredweight of the second quarter 1965. The manufacturing grade milk-hog price ratio continues below a year ago, averaging 0.14 in the first quarter compared with 0.21 a year earlier.

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Market
THE

FARM MARKETINGS . . .

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facturing grade milk even though Grade A prices are only slightly higher.

Over 80 percent of the manufacturing grade marketings last year came from the North Central States where farm quality standards are improving and bulk tank conversion is gaining. In the West North Central States rapid changes have occurred in recent years. This area markets mostly manufacturing grade milk and over 80 percent of U. S. cream marketings occur there. Farm-separated cream as a proportion of milk marketings has dropped substantially. Cream stations are down sharply in number, and most butter centralizers have either changed assembly methods or ceased operations. Cheese production has expanded about 50 percent since 1955.

Despite low feed costs in most cream-selling areas compared with more intensive dairy areas, prospects are not encouraging for small sideline dairy operations. As a result, cream sales will continue downward. The 1955-65 increase in U. S. whole milk marketings due to this shift from sales was equivalent to 11 billion pounds. It is expected that the production of milk for sale as farm-separated cream will persist for some years. But, the remaining 4 billion pounds of milk sold as cream can have only a minor impact on future supplies of milk solids.

Market Quotations

MAY
1966

MINNESOTA - WISCONSIN PRICE SERIES	\$3.65
Skim Milk Powder-Butter Price, 3.5% per Cwt. (Columbus)	3.46
Average Price per lb. 92-score butter at Chicago	.6354
Average carlot prices non-fat dry milk solids roller and spray process, f.o.b. manufacturing plant	.1670

Dairy Stocks Below Year Earlier

The Dairy Situation, Economic Research Service, USDA, May, 1966

Storage stocks of nearly all dairy products, as of April 1, 1966, were below a year earlier. Only fluid cream and natural cheese, other than American or Swiss, were higher. In milk equivalent terms, stocks were estimated at 3.4 billion pounds, 1.9 billion below a year earlier. This is the lowest stock level for that date since 1952. While commercial holdings fell slightly in 1965-66, Government stocks dropped to negligible levels.

In the second quarter, milk production is rising seasonally, and so are commercial holdings. Dairy products stocks are expected to continue below a year earlier, but by mid-year likely will rise to about twice the April 1 level. Whether supplies in excess of current requirements move to commercial outlets or into CCC stocks will depend on how rapidly production rises and how the trade views the prospective supply-demand situation in the August-January period, the usual out-of-storage months.

Because of reduced production, butter carryover at end of calendar 1966 may be even lower than last year's low level of 52 million pounds. American cheese stocks at the end of March totaled 229 million pounds, 9 percent below a year earlier; practically all were in commercial hands. Currently, cheese stocks are low relative to use, so storage demand is likely to be strong over the next few months because of the growing cheese demand.

USDA and manufacturers' stocks of nonfat dry milk — not used in computing milk equivalent (fat solids basis) of stocks — were 68 million pounds at the end of March, down from 233 million from a year earlier and 31 percent from the February level. Government holdings were down sharply from a year earlier and manufacturers' holdings are also lower. With supplies continuing lower in 1966, carryover stocks by December 31, 1966, are expected to be about the same as last December's low level.